

UNDERWOOD

FRED STORMER
Phone: 806.379.0306
Fax: 806.379.0316
www.uwlaw.com
Fred.Stormer@uwlaw.com

ADDRESS:
500 S. Taylor Street
Suite 1200, LB 233
Amarillo, TX 79101-2446
MAILING ADDRESS:
P.O. Box 9158
Amarillo, TX 79105-9158

August 25, 2017

Michelle Luera
Economic Development and Analysis Division
Texas Comptroller of Public Accounts
111 E. 17th St.
Austin, TX 78774

Via Email and Federal Express

Re: App 1203-Canyon ISD-Buffalo Wind Prime, LLC

Dear Michelle:

Enclosed are amended application pages (pp. 5 and 7, Tabs 5 11, 13, 16 and revised Schedule C) provided by the Applicant for the Chapter 313 Application submitted by Buffalo Wind Prime, LLC to Canyon ISD (the "Application"), along with the updated schedules in Excel format and a signature page acknowledging the Amendment.

A CD containing these documents is also enclosed. This Amendment, dated August 25, 2017 and numbered 1, is the first amendment to the Application. Please let me know if you require any additional information.

Sincerely,



Fred A. Stormer

Encl.

MALXMIZW0D5U2V

cc: Jesse Hopkins-Hoel, Buffalo Wind Prime
Patrick Pelstring, Manager, Buffalo Wind Prime

via email jhopkinshoel@natrs.com
via email ppelstring@natrs.com

Section 9

Amended Page 5, Section 9, No. 5

Texas Comptroller of Public Accounts

Data Analysis and
Transparency
Form 50-296-A

SECTION 9: Projected Timeline

1. Application approval by school board September 2017
2. Commencement of construction October 2017
3. Beginning of qualifying time period 2017
4. First year of limitation 2019
5. Begin hiring new employees April 2018
6. Commencement of commercial operations June 2018
7. Do you propose to construct a new building or to erect or affix a new improvement after your application review start date (date your application is finally determined to be complete)? ☒ Yes ☐ No
Note: Improvements made before that time may not be considered qualified property.
8. When do you anticipate the new buildings or improvements will be placed in service? June 2018

SECTION 10: The Property

1. Identify county or counties in which the proposed project will be located Randall County
2. Identify Central Appraisal District (CAD) that will be responsible for appraising the property Potter/Randall Appraisal District
3. Will this CAD be acting on behalf of another CAD to appraise this property? ☐ Yes ☒ No
4. List all taxing entities that have jurisdiction for the property, the portion of project within each entity and tax rates for each entity:
 County: Randall, 0.414730, 100% City:
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
 Hospital District: S Randall Hospital, 0.074460, 88% Water District: High Plains, 0.00750, 100%
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
 Other (describe): Noxious Weeds, 0.03/acre, 100% Other (describe):
(Name, tax rate and percent of project) (Name, tax rate and percent of project)
5. Is the project located entirely within the ISD listed in Section 1? ☒ Yes ☐ No
 5a. If no, attach in **Tab 6** additional information on the project scope and size to assist in the economic analysis.
6. Did you receive a determination from the Texas Economic Development and Tourism Office that this proposed project and at least one other project seeking a limitation agreement constitute a single unified project (SUP), as allowed in §313.024(d-2)? ☐ Yes ☒ No
 6a. If yes, attach in **Tab 6** supporting documentation from the Office of the Governor.

SECTION 11: Investment

NOTE: The minimum amount of qualified investment required to qualify for an appraised value limitation and the minimum amount of appraised value limitation vary depending on whether the school district is classified as Subchapter B or Subchapter C, and the taxable value of the property within the school district. For assistance in determining estimates of these minimums, access the Comptroller's website at comptroller.texas.gov/economy/local/ch313/.

1. At the time of application, what is the estimated minimum qualified investment required for this school district? 80,000,000.00
2. What is the amount of appraised value limitation for which you are applying? 80,000,000.00
Note: The property value limitation amount is based on property values available at the time of application and may change prior to the execution of any final agreement.
3. Does the qualified investment meet the requirements of Tax Code §313.021(1)? ☒ Yes ☐ No
4. Attach a description of the qualified investment [See §313.021(1).] The description must include:
 - a. a specific and detailed description of the qualified investment you propose to make on the property for which you are requesting an appraised value limitation as defined by Tax Code §313.021 (**Tab 7**);
 - b. a description of any new buildings, proposed new improvements or personal property which you intend to include as part of your minimum qualified investment (**Tab 7**); and
 - c. a detailed map of the qualified investment showing location of tangible personal property to be placed in service during the qualifying time period and buildings to be constructed during the qualifying time period, with vicinity map (**Tab 11**).
5. Do you intend to make at least the minimum qualified investment required by Tax Code §313.023 (or §313.053 for Subchapter C school districts) for the relevant school district category during the qualifying time period? ☒ Yes ☐ No

Section 14

Amended Page 7, Section 14, Nos 4, 5, 7(c), 8, 9, and 10

Texas Comptroller of Public Accounts

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SECTION 14: Wage and Employment Information

1. What is the estimated number of permanent jobs (more than 1,600 hours a year), with the applicant or a contractor of the applicant, on the proposed qualified property during the last complete quarter before the application review start date (date your application is finally determined to be complete)? 0
2. What is the last complete calendar quarter before application review start date:
☐ First Quarter ☒ Second Quarter ☐ Third Quarter ☐ Fourth Quarter of 2017
(year)
3. What were the number of permanent jobs (more than 1,600 hours a year) this applicant had in Texas during the most recent quarter reported to the Texas Workforce Commission (TWC)? 0
Note: For job definitions see TAC §9.1051 and Tax Code §313.021(3).
4. What is the number of new qualifying jobs you are committing to create? 8
5. What is the number of new non-qualifying jobs you are estimating you will create? 0
6. Do you intend to request that the governing body waive the minimum new qualifying job creation requirement, as provided under Tax Code §313.025(f-1)? ☒ Yes ☐ No
- 6a. If yes, attach evidence in **Tab 12** documenting that the new qualifying job creation requirement above exceeds the number of employees necessary for the operation, according to industry standards.
7. Attach in **Tab 13** the four most recent quarters of data for each wage calculation below, including documentation from the TWC website. The final actual statutory minimum annual wage requirement for the applicant for each qualifying job — which may differ slightly from this estimate — will be based on information from the four quarterly periods for which data were available at the time of the application review start date (date of a completed application). See TAC §9.1051(21) and (22).
- a. Average weekly wage for all jobs (all industries) in the county is 804.25
- b. 110% of the average weekly wage for manufacturing jobs in the county is 1,176.73
- c. 110% of the average weekly wage for manufacturing jobs in the region is 1,232.28
8. Which Tax Code section are you using to estimate the qualifying job wage standard required for this project? ☒ §313.021(5)(A) or ☐ §313.021(5)(B)
9. What is the minimum required annual wage for each qualifying job based on the qualified property? 61,189.96
10. What is the annual wage you are committing to pay for each of the new qualifying jobs you create on the qualified property? 61,189.96
11. Will the qualifying jobs meet all minimum requirements set out in Tax Code §313.021(3)? ☒ Yes ☐ No
12. Do you intend to satisfy the minimum qualifying job requirement through a determination of cumulative economic benefits to the state as provided by §313.021(3)(F)? ☐ Yes ☒ No
- 12a. If yes, attach in **Tab 12** supporting documentation from the TWC, pursuant to §313.021(3)(F).
13. Do you intend to rely on the project being part of a single unified project, as allowed in §313.024(d-2), in meeting the qualifying job requirements? ☐ Yes ☒ No
- 13a. If yes, attach in **Tab 6** supporting documentation including a list of qualifying jobs in the other school district(s).

SECTION 15: Economic Impact

1. Complete and attach Schedules A1, A2, B, C, and D in **Tab 14**. Note: Excel spreadsheet versions of schedules are available for download and printing at URL listed below.
2. Attach an Economic Impact Analysis, if supplied by other than the Comptroller's Office, in **Tab 15**. (not required)
3. If there are any other payments made in the state or economic information that you believe should be included in the economic analysis, attach a separate schedule showing the amount for each year affected, including an explanation, in **Tab 15**.

Tab 5

Limitation of Appraised Value is a determining factor for Buffalo Wind Prime, LLC to invest capital and construct the project in Texas.

Overview

Buffalo Wind was created in 2010 under our predecessor, National Wind, LLC out of Minneapolis and acquired by Minneapolis firm, National Renewable Solutions, LLC (NRS), in 2011 (Renewable Energy News article from April 30, 2010, attached) with the stated goal of developing a 300 MW (+) wind farm. Concurrently, NRS had a portfolio of wind projects in development including Maryland, Montana, New Mexico, South Dakota, and two in Minnesota. Buffalo Wind, being one of the earliest projects in the portfolio, has had extensive discussions with numerous prospective sponsor and tax equity partners for project financing. The Limitation on Appraised Value has been, and continues to be an even greater, determining assumption for the Buffalo Wind project and its eventual success.

Although the wind resource in the Texas Panhandle is of the highest quality, there are several factors in the Electric Reliability Council of Texas (ERCOT) and the state which have contributed to significant financial pressure, further challenging energy project economics. For these reasons, the opportunity to limit School and County Property taxes has become a critical cost factor to assure the viability of our project.

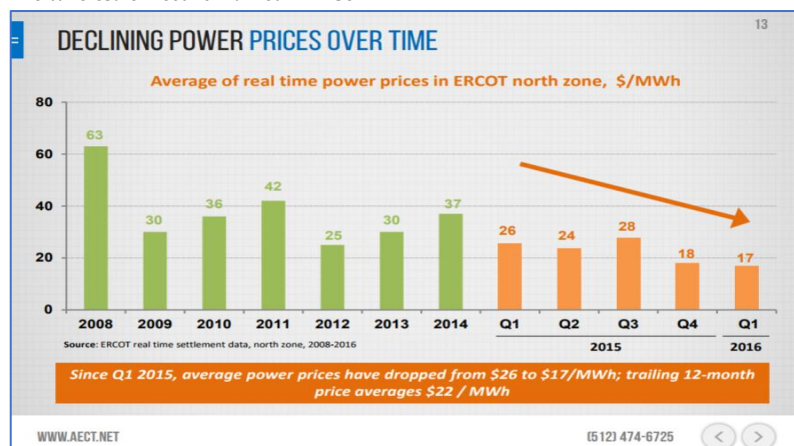
These financial pressures include:

- (1) ERCOT regional power pricing,
- (2) regional competition for development,
- (3) limited transmission infrastructure
- (4) delivery and congestion issues.

Downward trends of ERCOT Regional Pricing.

Wholesale power pricing within the ERCOT system has been trending down for the last several years. Association of Electric Companies of Texas, Inc (AECT) states in their 2017 presentation, *The Wholesale Electric Market in ERCOT*, in 2011, wholesale power prices in the Texas Panhandle were approximately \$42/MWh on average for the year. Further, the report shows 2014 prices at \$37/MWh and 2015 at an average of \$26/MWh. In 2017, the market is seeing long term power purchase agreements or other power purchase contracts even below \$17/MWh for 20yr contracts. When just comparing

Except from Association of Electric Companies of Texas, Inc (AECT) 2017 presentation, *The Wholesale Electric Market in ERCOT*



2014 with the current wholesale pricing environment, this adjustment alone represents over \$6.3M in lost revenue, for our project, annually, or a cumulative impact of approximately \$126M over 20yrs.

Regional Competition for Development.

Many states throughout the country offer some state tax incentives, whether Property Tax Abatement, Limitation on Appraised Value, State-driven Renewable Energy Production Tax Credits or Industrial Revenue Bonds. In NRS's recent project history in adjacent states, our Broadview Energy projects (New Mexico) needed to maximize the State Production Tax Credits and Industrial Revenue Bonds, a program which allows for full gross receipts and sales and use tax abatement. These incentives were instrumental in overcoming the significant costs and risks with delivering the power over 650 miles from Curry County, NM to SoCal Edison's users in southern California. The limitation on appraised value in Texas is critical to compete State to State with similar wind regimes and markets, and to meet current market pricing.

Limited Transmission Infrastructure

The ERCOT market has experienced an incredible amount of development and success, largely due to the infrastructure which the State of Texas has built. However, since 2014, when Phase I of the Competitive Renewable Energy Zones (CREZ) was completed with the installation of the 345kV Panhandle Loop transmission circuit, new wind energy development has been built to serve the needs of electricity users in southern Texas which nearly exceed the infrastructure limits.

Currently, the Panhandle is served by a single transmission line, which makes the line stability and reliability more difficult. ERCOT and Sharyland continues to look at adding other lines and infrastructure, but further improvements are not scheduled to be complete for 2-4 more years.

Delivery and Congestion Issues

The "excess capacity" is generally referred as "congestion". Congestion within ERCOT is managed by offering congestion pricing, or a competitive market of bidding to deliver generated power during times of high generation and limited capacity. Simply stated, congestion pricing pushes wind power prices even below zero during those times. This project revenue strain causes prospective financial partners to place an even heavier burden on project performance.

Meanwhile, demand in southern Texas and the desire for low prices created from generation development in the Texas Panhandle has risen. This high generation is limited by insufficient infrastructure development and results in excess capacity that is either "curtailed" or where the "basis differential" from the Panhandle to the Texas growth centers greatly off-sets revenue to limit the potential for profitability.

Summary

Buffalo Wind has now submitted evidence of its continuing efforts since the inception of Buffalo Wind in 2010. The developer of Buffalo Wind, National Renewable Solutions, LLC and its predecessor, National Wind, LLC, has fully developed over 700MW of wind energy projects and

currently manages a nearly 2GW development-phase portfolio of utility-scale projects in Minnesota, Texas, Maryland, Kansas, Indiana, New Mexico and Nebraska.

NRS recognizes that every states' resource is as unique as their incentives for development. And, given the state of affairs with regard to sluggish regional power pricing within ERCOT, high development activity recruitment, and the ERCOT congestion issues affecting net power pricing, Buffalo Wind Prime respectfully submits that the project is only successful upon being granted a Limitation on Appraised Value by Canyon ISD as available through Section 313 of the Texas Tax Code.

Please feel free to contact me for questions or further clarification.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Patrick Pelstring", with a stylized flourish at the end.

Patrick Pelstring, Manager
Buffalo Wind Prime, LLC

Tab 5

Limitation of Appraised Value is a determining factor for Buffalo Wind Prime, LLC to invest capital and construct the project in Texas – Supporting Information

Supporting Resources

World, Renewable Energy. (2010, April 30). Buffalo Wind Energy To Develop Community Project in Texas. *Renewable Energy World*, p. 1.

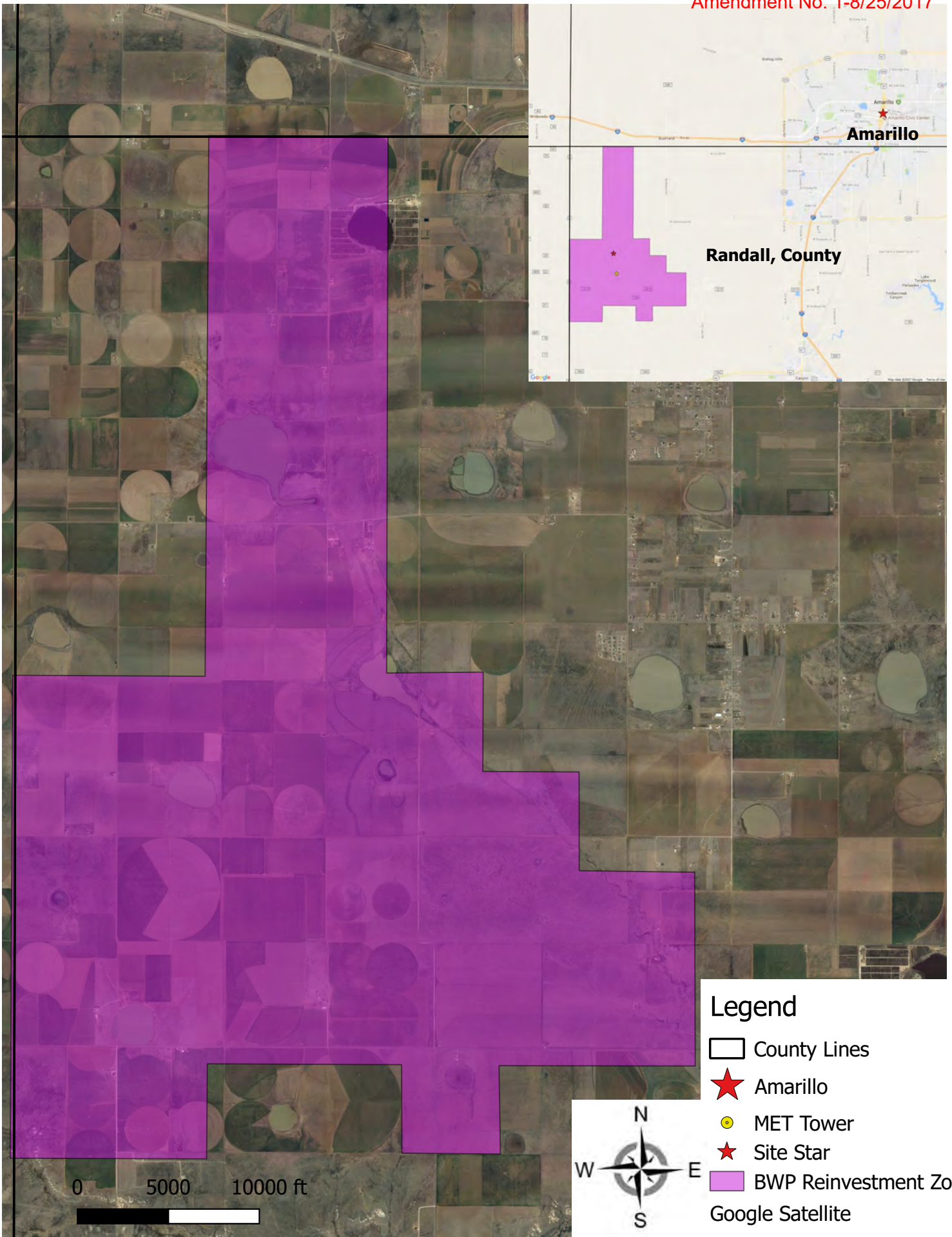
Association of Electric Companies of Texas. (2017). *The Wholesale Electric Market in ERCOT*. Austin: AECT.

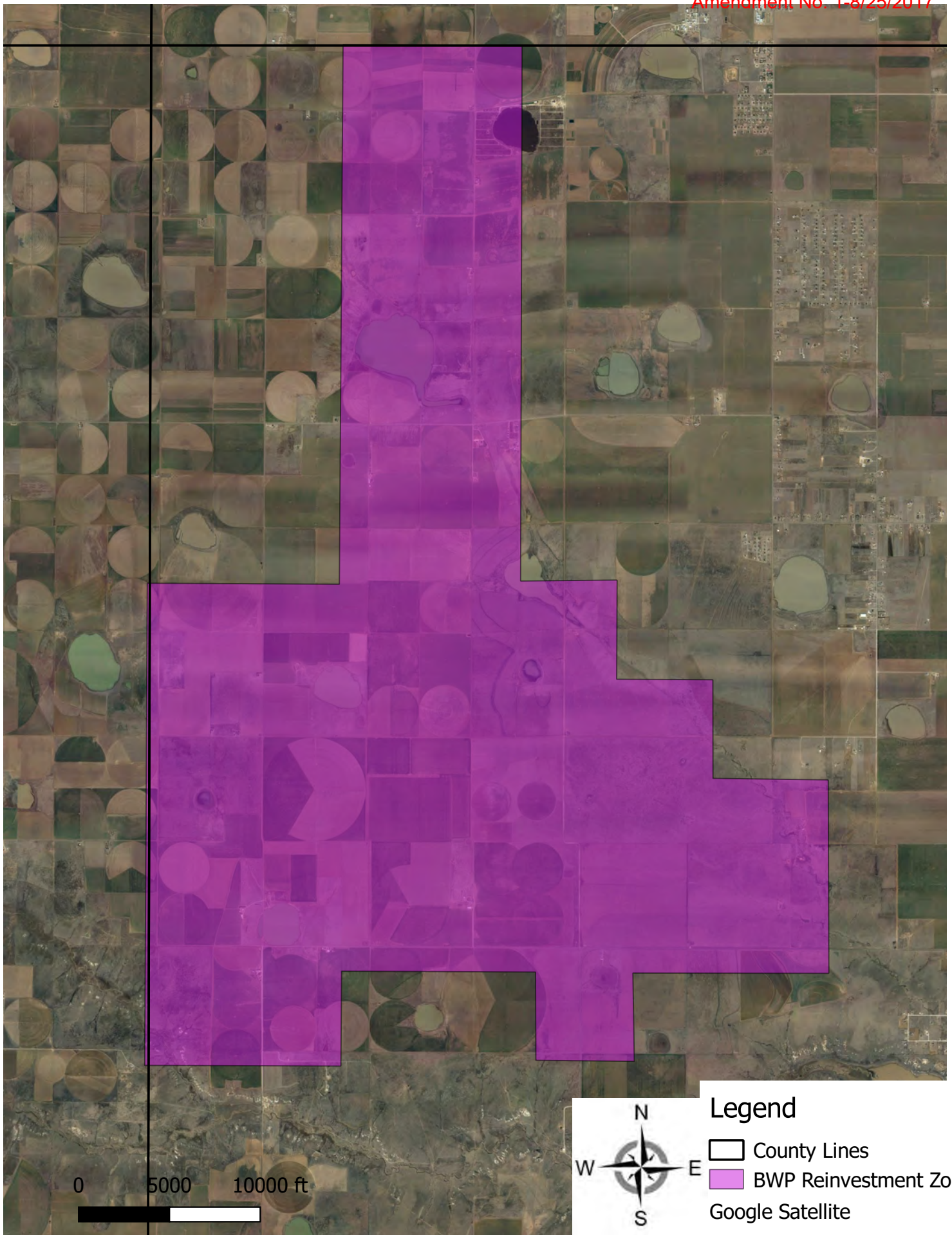
Welch, K. (2016, July 27). Wind Project Could Top \$6.7B. *Amarillo Globe-News*, p. 3.

Tab 11

Amended Vicinity and Reinvestment Zone Maps

(Not Confidential)





Reinvestment Zone Map

Request for Jobs Waiver-Revised

Buffalo Wind Prime, LLC
1907 Wayzata Blvd Suite #220
Wayzata, MN 55391
952-473-7500

August 21, 2017

Mr. Darryl Flusche

Canyon Independent School District

3301 N 23rd Street

Canyon, Texas 79015

Re: Chapter 313 Job Waiver Request for Buffalo Wind Prime, LLC

Dear Mr. Flusche,

Buffalo Wind Prime, LLC is requesting a waiver for the job requirement provision, as allowed by Section 313.02S (f-1) of the Texas Tax Code, from the Canyon Independent School District Board of Trustees. Due to current industry standards, it is anticipated that eight onsite full-time employees would be hired. Operations and maintenance of a wind energy facility requires one wind technician per 15-20 turbines, depending on skill level. The eight direct onsite permanent positions meets these standards (Reategui & Hendrickson, 2011), Buffalo Wind Prime, LLC respectfully requests for a waiver by Canyon ISD for the 25 permanent position standard.

The Project is anticipated to create a number of extended temporary positions during the construction process in conjunction with the permanent hire needs. Construction jobs are expected to be sourced locally as much as feasible and in line with labor availability. In all, wind energy generating facility produce a substantial number of jobs through all phases of the development process.

These employees will help in the operation and maintenance of the proposed facility during the life of the project which is anticipated for the next 30 years. In addition, out of area employees will be needed for electronic monitoring in and outside of Texas. We look forward to working and speaking with you regarding this community investment soon.

Sincerely,



Patrick Pelstring, Manager; Buffalo Wind Prime, LLC

Tab 12

Reference in support of Jobs Waiver Request

References

Reategui, S., & Hendrickson, S. (2011). *Economic Development Impact of 1,000MW of Wind Energy in Texas*. Denver: National Renewable Energy Laboratory.)

Tab 13

Revised Wage Calculations, according to Texas Workforce Commission

Texas Workforce Commission

Labor Market Information: Quarterly Employment and Wages

A) Average weekly wage for all jobs (all industries) Randall County.

(Labor Market Information, 2017)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2017	1st Qtr	Randall County	Private	00	0	10	Total, all industries	\$850

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2016	4th Qtr	Randall County	Private	00	0	10	Total, all industries	\$845
2016	3rd Qtr	Randall County	Private	00	0	10	Total, all industries	\$772
2016	2nd Qtr	Randall County	Private	00	0	10	Total, all industries	\$750

All Industries in Randall County				
Year	Quarter	Average Weekly Wage		
2017	1st	\$850.00		
2016	4th	\$845.00		
2016	3rd	\$772.00		
2016	2nd	\$750.00		
		\$804.25		
		Average		

B) 110% of the average weekly wage for manufacturing jobs in the county

(Labor Market Information, 2017)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2017	1st Qtr	Randall County	Private	31	2	31-33	Manufacturing	\$1,081

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2016	2nd Qtr	Randall County	Private	31	2	31-33	Manufacturing	\$1,039
2016	3rd Qtr	Randall County	Private	31	2	31-33	Manufacturing	\$1,092
2016	4th Qtr	Randall County	Private	31	2	31-33	Manufacturing	\$1,067

All Industries in Randall County				
Year	Quarter	Average Weekly Wage		
2017	1st	\$1,081.00		
2016	4th	\$1,039.00		
2016	3rd	\$1,092.00		
2016	2nd	\$1,067.00		
		\$1,069.75		
		Average		
		\$1,176.73		
		110%*Average		

C) 110% of the average weekly wage for manufacturing jobs in the Panhandle Region.

(Labor Market Information, 2017)

Year	Period	Area	Ownership	Division	Level	Ind Code	Industry	Avg Weekly Wages
2017	1st Qtr	Panhandle	Private	31	2	31-33	Manufacturing	\$1,167
2016	2nd Qtr	Panhandle	Private	31	2	31-33	Manufacturing	\$1,093
2016	3rd Qtr	Panhandle	Private	31	2	31-33	Manufacturing	\$1,142
2016	4th Qtr	Panhandle	Private	31	2	31-33	Manufacturing	\$1,079

All Industries in Randall County				
Year	Quarter	Average Weekly Wage		
2017	1st	\$1,167.00		
2016	4th	\$1,093.00		
2016	3rd	\$1,142.00		
2016	2nd	\$1,079.00		
		\$1,120.25	Average	
		\$1,232.28	110%*Average	

Section 14

Amended Schedule C

Application for Limitation of Appraised Value

Schedule C: Employment Information

Date 8/23/2017

Applicant Name

Buffalo Wind Prime, LLC

ISD Name

Canyon ISD

Form 50-296A

Revised May 2014

				Construction		Non-Qualifying Jobs	Qualifying Jobs	
				Column A	Column B	Column C	Column D	Column E
	Year	School Year (YYYY-YYYY)	Tax Year (Actual tax year) YYYY	Number of Construction FTE's or man-hours (specify)	Average annual wage rates for construction workers	Number of non-qualifying jobs applicant estimates it will create (cumulative)	Number of new qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Average annual wage of new qualifying jobs
	0	2017-2018	2017	17.5	\$ 51,259			\$ 51,259
Each year prior to start of Value Limitation Period <i>Insert as many rows as necessary</i>	0	2018-2019	2018	157.5	51,259	N/A		51,259
Value Limitation Period <i>The qualifying time period could overlap the value limitation period.</i>	1	2019-2020	2019			N/A	8	61,189.96
	2	2020-2021	2020			N/A	8	61,189.96
	3	2021-2022	2021			N/A	8	61,189.96
	4	2022-2023	2022			N/A	8	61,189.96
	5	2023-2024	2023			N/A	8	61,189.96
	6	2024-2025	2024			N/A	8	61,189.96
	7	2025-2026	2025			N/A	8	61,189.96
	8	2026-2027	2026			N/A	8	61,189.96
	9	2027-2028	2027			N/A	8	61,189.96
	10	2028-2029	2028			N/A	8	61,189.96
Years Following Limitation Period	Value 11 through 25	2029-2030	2029			N/A	8	61,189.96

Notes: See TAC 9.1051 for definition of non-qualifying jobs.
Only include jobs on the project site in this school district.

C1. Are the cumulative number of qualifying jobs listed in Column D less than the number of qualifying jobs required by statute? (25 qualifying jobs in Subchapter B districts, 10 qualifying jobs in Subchapter C districts)

If yes, answer the following two questions:

C1a. Will the applicant request a job waiver, as provided under 313.025(f-1)?

C1b. Will the applicant avail itself of the provision in 313.021(3)(F)?

<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

Texas Comptroller of Public Accounts

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SECTION 16: Authorized Signatures and Applicant Certification

After the application and schedules are complete, an authorized representative from the school district and the business should review the application documents and complete this authorization page. Attach the completed authorization page in **Tab 17**. **NOTE:** If you amend your application, you will need to obtain new signatures and resubmit this page, Section 16, with the amendment request.

1. Authorized School District Representative Signature

I am the authorized representative for the school district to which this application is being submitted. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code.

print
here

Darryl Flusche

Print Name (Authorized School District Representative)

Superintendent of Canyon ISD

Title

sign
here

Darryl Flusche

Signature (Authorized School District Representative)

8/28/2017

Date

2. Authorized Company Representative (Applicant) Signature and Notarization

I am the authorized representative for the business entity for the purpose of filing this application. I understand that this application is a government record as defined in Chapter 37 of the Texas Penal Code. The information contained in this application and schedules is true and correct to the best of my knowledge and belief.

I hereby certify and affirm that the business entity I represent is in good standing under the laws of the state in which the business entity was organized and that no delinquent taxes are owed to the State of Texas.

print
here

Patrick Pelstring

Print Name (Authorized Company Representative (Applicant))

Manager

Title

sign
here

Patrick Pelstring

Signature (Authorized Company Representative (Applicant))

8-24-2017

Date

GIVEN under my hand and seal of office this, the

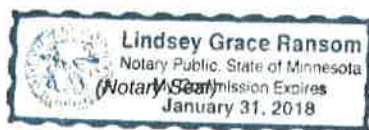
24 day of August 2017

Lindsey Grace Ransom

Notary Public in and for the State of Texas

My Commission expires:

1/31/18



If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.

Executed Page in Attachment 17 of this Application